The City of Woodburn

Five Year Forecast
2011-12 to 2015-16

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City of Woodburn

Five Year Forecast

For Years

2011-12 to 2015-16

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Introduction

City of Woodburn Background

The City of Woodburn is located in Marion County, Oregon, 18 miles northeast of the City of Salem along the I-5 corridor. Woodburn is located in Oregon's Willamette Valley which experiences a moderate climate.

Woodburn has changed significantly in population since it was first incorporated in 1899. The city originally began as a small farming and manufacturing community. Beginning in the 1960's Woodburn became a suburb of Salem and Portland with its proximity to I-5. Over the past 18 years, Woodburn has grown 74%. As of the census of 2000, there were 20,100 people residing in Woodburn. As of 2008, its population was estimated at 23,355, a net rise of 16.2% over 2000, ranking it the 21st most-populated city in Oregon. The median income for a household in the city was $33,722, and the median income for a family was $36,730. Males had a median income of $21,702 versus $22,606 for females.

Purpose of the Forecast

The 5 Year Financial Forecast takes a forward look at the City's revenues and expenditures with the purpose of identifying financial trends, shortfalls and issues so the City can proactively address them. Future results are projected based on the City's current service levels, policies and unavoidable future impacts.

The financial forecast will serve as a basis of our financial plan – which will likely include changes to the City's budget policy. The intent of this financial forecast is to project each operating fund's financial position under certain assumptions. The forecast then sets the stage for the upcoming budget process, aiding both the City Manager and Council in establishing priorities and allocating resources appropriately. Responsible financial stewardship is imperative to provide for the current and future needs of our community. Forecasting is one of the most powerful tools the City has available to help make informed financial decisions that will ensure the City's future vitality and economic stability.

Forecast Methodology

The City of Woodburn's approach to forecasting is to apply a conservative philosophy that neither overstates revenues nor understates expenditures. Economic forecasting is not an exact science. Rather, it is dependent upon the best professional judgment of the forecaster. To enhance the accuracy of projections the City identifies factors that contribute to the changes in revenues and expenditures, such as development, inflation, interest rates and known future events that will affect operations. Of the five years of forecast, the first year primarily reflects the adopted budget for 2011-12. The remaining four years are based on a variety of assumptions applied to the 2010-11 ending projections. These assumptions are explained in the Appendix.

Our forecasting of operating costs embraces the concept of Status Quo. This concept assumes that the current level of service will continue for the next five years with cost changes based on inflationary increases. This provides a baseline economic estimate from which reductions or increases in service levels can be determined. To the extent certain reductions or additions are anticipated, they are noted within the Fund section of this report. Exceptions to the status quo assumption are noted at the beginning of each fund.

Forecasting of capital improvements to be funded from operating resources is based on available resources. To the extent possible, operations are funded first and remaining resources are allocated to fund capital improvements. This frequently means that improvements are delayed to achieve the matching. Improvements which are too expensive to be paid from net resources are assumed to be funded via bonded debt. The impact of issuing debt is reflected in the Debt Service portion of the fund forecasts. Grants and developer contributions for capital improvements are included when there is a reasonable assurance of receipt.

Executive Summary

This report is a combined effort of all City staff. Each department provided insight into future year operating revenues and costs. Our goal in assembling this report is to reveal trends, highlight financial issues, and provide suggestions and options. We look forward to feedback and input from the Budget Committee on these issues.

Because the Fund Section and Appendices provide detailed fund information, the executive summary will focus on the most significant issues facing the City. We have also included an organization chart in the appendix to aid you in understanding the City's departmental structure.

Overview

The forecast model predicts that most operating funds will have sufficient resources to meet expenses over the five-year period. A few of the fund graphs depict a declining undesignated balance of resources. While this may seem alarming it is just an indicator. In reality, the City would not submit a proposed budget where costs exceed all available resources. The value of the forecast is that it allows us to predict where problems might occur and provides the City adequate time to take corrective action before the situation becomes a crisis.

Economic and Demographic Assumptions

Fears of a double-dip recession are fading. Recently, IHS Global Insight has changed their probabilities of their optimistic and pessimistic scenarios. They now have the chances of the optimistic scenario higher than the chances of the pessimistic scenario. The continuation of the Federal Reserve QEII (Quantitative Easing Part II) and fiscal policy extensions of tax cuts, bonus depreciation, and unemployment benefits will help boost activity in 2011. Near term economic signals point to continued economic growth in 2011 and beyond. Although this year looks very promising, the risk of headwinds still lingers on the horizon.

As a result of recent economic downturn and slow pace of recovery, Woodburn's population is expected to continue a slow pace of growth in the near future. Oregon as a whole is expected to grow with an annual population growth rate of 1.1 percent between 2010 and 2017. Oregon and the City of

Woodburn's economic condition heavily influence the population growth. Woodburn's economy determines the ability to retain local work force as well as attract job seekers.

Issues in Coming Months

- The City implemented the Aquatic Center turn around project. The focus of the program is to provide the opportunity for the Aquatic Center to become more self sustaining through cost recovery. As of this year projections for the center are for the center to break even. Based on those assumptions the center should see a savings of $225,000 in FY 2011-12. Staff will continue to monitor the project to ensure the center is 'on-track'.
- As health care costs continue to rise and the uncertainty of the Universal Health Care Plan – staff is aggressively seeking alternatives to the current benefits structure and is focusing on finding a recommendation to bring to affected employees and employee groups.

Issues in the Coming Year

Sewer

The Sewer Treatment Plant Project is near completing Phase I of the required improvements to the City's sewer system and treatment plant. As approved by the City Council in 2010 additional bonds totaling $23.5 million will be issued in FY 2011-12 to fund Phase II of the project.

Streets

The Fifth Street Project will be completed in FY 2011-12 with the addition of the signal at Highway 214 and Fifth Street.

Issues Beyond One Year

General Fund

New demands for services will need either new resources or program cuts in other areas. Currently, police coverage is 1.26 officers per 1,000 residents (recommended coverage is 1.50 per 1,000 residents) – the City has applied for a three year grant to fund an additional entry level police officer for three years – with the remaining fourth year to be funded by the City. The challenge for the City will be to 'absorb' and fund the remaining fourth year in order to maintain an adequate level of service. Demand for park and recreation services are expected to continue to increase and put additional strain on the limited resources of the General Fund.

In addition, City Hall and Library improvements will need to be made to improve those buildings security and ADA compliance requirements. Staff has brought forth a proposal for City Hall security upgrades but due to funding issues the items has been tabled until the economy stabilizes.

Transit

As the economic downturn continues it will become increasingly difficult for the General Fund to sustain its $151,000 contribution to the transit fund. The transit operation will be aggressively seeking grants to fund operations and maintain current levels of service.

Streets

Due to economic conditions Street SDC revenues have remained flat and are expected to remain flat. The City has committed to provided $5.5 million to ODOT for the interchange project – of which the City has currently reserved $4 million towards this obligation. The reserve amount and flat revenues have a direct impact on the City's ability to provide for street capital projects. Additionally, the City may need to finance the remaining portion of the obligation.

Issues for Administrative Attention

Not all of the issues that arise from the forecast need Council direction. Those listed here can be dealt with at an administrative level. The purpose of this forecast as noted previously is to point to areas of concern and allow staff and council to direct resources and focus to areas of need. This forecast is also intended to 'drive' the City's financial policies and assist in formulating need financial policies to guide staff and council in making informed decisions.

Based on 'forecasted concerns' the following 'general' financial policies are being implemented:

- Establish financial policies and procedures that can be managed effectively by the Finance Staff and City Administrator (these are currently being drafted). These policies should be monitored, evaluated and updated to ensure efficiencies gained are maintained
- Establish debt issuance and management policies as well as policies concerning debt level and capacity.
- Adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement.
- Develop a capital improvement plan that identifies priorities and time frames for undertaking capital projects and provides a financing plan for those projects. The plan, including both capital and related operating costs, should project at least five years into the future and should be fully integrated into the overall financial plan.
- Periodically evaluate the performance of programs and services.
- Identify cost effective opportunities where performance, efficiency and effectiveness measures can be developed and included as part of the basic budget materials and budget document.
- Monitor, measure and evaluate capital program implementation, especially for projects funded by restricted funds.
- Identify programs that should be self-sufficient.
- Review of established fees to ensure cost recovery is sufficient.
- Establish and adopt cost recovery policies for all other services with fees and charges not established by state statute. Opportunities for new fees and charges will need to be determined as part of this process.
- Continue to monitor indirect cost recovery for Internal Services Funds and evaluate the effectiveness of these charges. These indirect costs should be evaluated and updated periodically.

General Fund

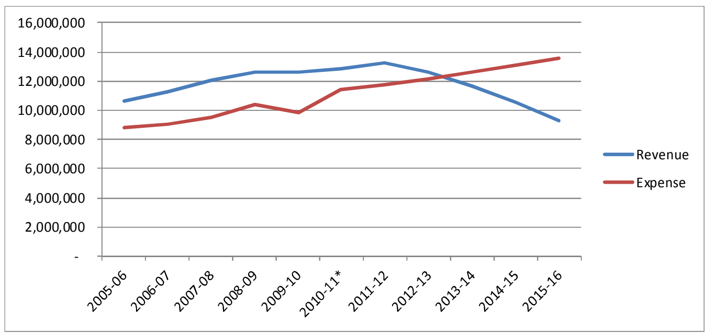
Variances from Status Quo Assumptions

- Addition of one police officer – funded through Cop Grant through Department of Justice for Fiscal Years 2012, 2013, 2014 – in 2015 the position will need to be absorbed into the General Fund

Key Assumptions

- No significant changes to staffing levels
- FY 2011-12 first year of Aquatics Center cost recovery plan (assumed to recover 50% in each of the fiscal years)
- No increases to park maintenance program.

Operating Position



Property taxes account for almost 69% of the annual resources in the General Fund. Tax growth is expected to grow at 2% per year. This number is projected to increase if there are significant new developments within city limits. Franchise fees are the second largest revenue in this fund equating to 9% of total resources. Franchise fees are taxes based on the gross revenues of utilities that use the City's right-of-way. Private utilities doing business in the City of Woodburn include Portland General Electric, Northwest Natural, Qwest, United Disposal, Wave Broadband, Woodburn Ambulance and others. The only way this source of revenue will increase is if the private utilities revenues derived from Woodburn residents also increase. Intergovernmental is the third largest type of revenue at 7%. This type includes state and federal grants, 911 tax (911 tax revenues are turned over to NORCOM for dispatch services) and state cigarette, liquor and gas tax.

Capital Projects – From Operating Revenues

There are no significant capital projects to be funded by the General Fund in the forecast.

Potential Impacts and Issues

There are potential future demands that could increase costs in this fund; however, there are no available resources for these expansions. Potential future demands are explained below.

Parks Maintenance – As demand continues to grow for the public's use of City parks, additional burdens are being placed on the City's General Fund to provide enhanced services. Additional staff hours are required for clean up and maintenance of these parks. With the completion of first phase of the City's Greenway project staff will asked to maintain the trail. These potential cost increases are not included in the forecasts

Police Staffing – Currently the local school district is experiencing the same budget difficulties as other jurisdictions within the State. The school district and the City share a School Resource Officer – with the district providing $45,000 towards the officer's funding. As budget tightens this funding could be lost.

Funding Alternatives

As costs grow there either needs to be a corresponding reduction in other costs or new resources need to be generated. Possible new resources are presented below. Staff does not take a position for or against these options. They are presented for informational purposes. Franchise fees should be investigated in the upcoming fiscal year as a potential fund source.

Franchise Fee – The City levies a franchise fee on private utilities for the use of the City right of way. Currently, the City does not levy this franchise fee on its own utilities. As revenues in the General Fund continue to remain flat another potential funding source for the fund could be to levy a franchise fee on the Water, Sewer and Surfacewater funds. The initial franchise fee could be set from 3% to 5%. Potential revenues raised would be from approximately $152,000 to approximately $254,000, in the first year.

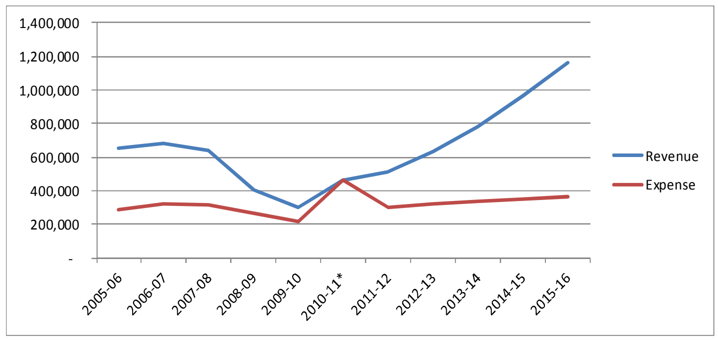
Building Fund

Variances from Status Quo Assumptions

- Permit revenues are based on approved increases beginning in FY 2013-14 and an expectation of increased commercial development in FY 2014-15.

Operating Position

Revenues are based upon permits issued for new development and redevelopment that historically ebb and flow. Permits are collected prior to the work being done and therefore cash balances exist to pay for services to be performed in the future. The graph depicts the effects of the current downturn in new development starts. Future revenues are based on estimates of when specific projects might begin. Costs reflect cuts and reductions already in place.



Potential Impacts and Issues

Delays in developers submitting plans or starting construction will affect the bottom line. The City will closely monitor the actual revenues against the forecast and will take corrective action if necessary. This fund is projected to have sufficient resources to carry the program through the next five years.

A return to a ‘normal’ level of development will necessitate a return to historic staffing levels. Restoring the additional Building Inspector/Plans Examiner and increasing hours for existing staff would add approximately $100,000 per year.

Transit Fund

Variances from Status Quo Assumptions

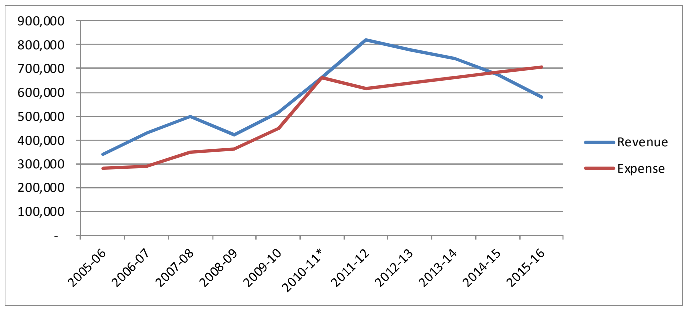
- None

Key Assumptions

- Ability to continue to obtain grant funding
- General Fund contribution remains stable for forecast period
- Fares remain consistent for forecast period

Operating Position

The City's Transit system provides bus operations as well as Dial-a-Ride services for disabled citizens. The Transit operation is funded by a contribution of $151,000 from the General Fund, approximately $30,000 in fare revenue with the balance made up from State and Federal grants.



The graph depicts a future of expenditures exceeding revenues. A portion of the difference may be attributed to conservative estimates in payroll and materials and services costs. Management will continue to monitor the trends to ensure that a deficit does not occur and aggressively seek grant funding as it becomes available.

Capital Projects – From Operating Revenues

Replacement of buses and vans is done as-needed and historically they have been replaced when grant funding is available.

Potential Impacts and Issues

As revenue constraints continue on the General Fund it will become increasingly difficult to make the continued contribution to the Transit system. Management will need to address this concern in order to ensure that the needed contribution is maintained and perhaps increased.

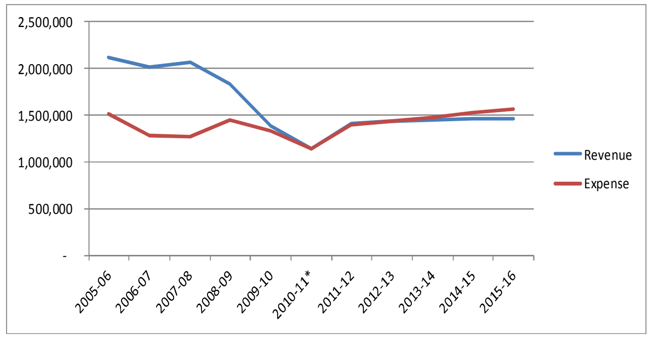
Street Fund

Variances from Status Quo Assumptions

- Gas taxes are increased 6 cents per gallon on January 1, 2011

Operating Position

Gas taxes distributed by the State are the primary resource for this fund. Taxes peaked in FY 2005-06 and have been in decline since. The 2009 Legislative Session approved increases in vehicle title and registration fees which became effective in 2010 and a 6 cent per gallon (25%) became effective January 2011. A referendum petition to repeal the new law failed to collect enough signatures. Revenues should increase for several years due to the phase-in of title, registration and weight fees.



Additionally, the Revenue Sharing Fund was collapsed into the Street and Local Gas Tax Funds (the construction portion of the Revenue Sharing Fund was transferred to the Local Gas Tax Fund). Street lights are now being paid for out of the Street Fund beginning in FY 2011-12. State shared revenues are now transferred in from the General Fund to provide funding for that expenditure.

Capital Projects – From Operating Revenues

Replacement of buses and vans is done as-needed and historically they have been replaced when grant funding is available.

Potential Impacts and Issues

As revenue constraints continue on the General Fund it will become increasingly difficult to make the continued contribution to the Transit system. Management will need to address this concern in order to ensure that the needed contribution is maintained and perhaps increased.

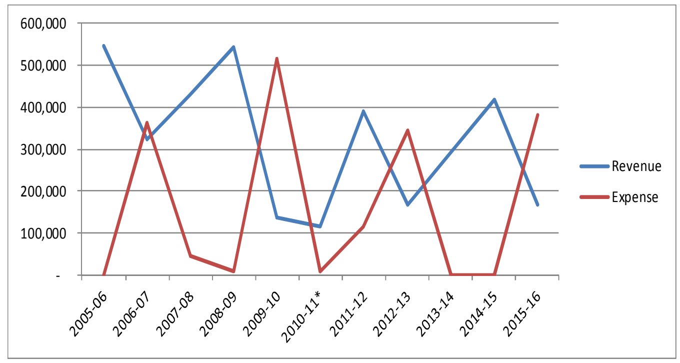
City Gas Tax Fund

Variances from Status Quo Assumptions

- None

Operating Position

In 1996 the City Council adopted a local gas tax for all fuels sold within the City of Woodburn of .01 cent per gallon. As revenues are collected – the revenues are reserved until such time there are sufficient funds available to carry a local street improvement project.



Capital Projects – From Operating Revenues

Two local streets (Second Street from Oak to Harrison Street and Walton Way) are planned to be resurfaced in FY 2011-12. No other projects are planned until such time as adequate funding has accumulated to pay for additional projects or the reserved amount(s) can be leveraged for grant funding.

Potential Impacts and Issues

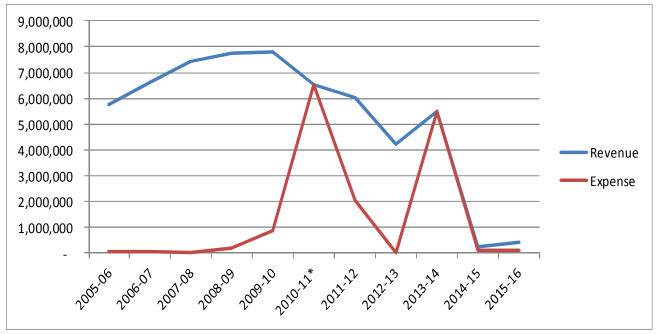
Historically, the City Gas Tax Fund has collected $100k to $120k per fiscal year in revenues. The amounts collected per fiscal year are expected to remain constant over the forecast period. As sufficient reserves become available, projects are planned and completed as part of the City's Capital Improvement Plan.

Street System Development (SDC) Fund

Variances from Status Quo Assumptions

- SDCs are forecasted to remain flat through FY 2015-16
- Required $4 million reserve maintained throughout the forecast period

Operating Position



The Street SDC Fund is dependent on development occurring – the slowdown in the economy and the slow recovery have a direct impact on the fund's ability to carry significant capital improvements. In addition, the City has entered into agreement with the Oregon Department of Transportation (ODOT) to provide a multimillion dollar payment for the City's portion of the I5 Interchange project. As a result of that commitment a $4 million reserve will be maintained in order to meet the commitment with ODOT.

Capital Projects – From Operating Revenues

Due to the reserve commitment ongoing capital projects will be limited. The completion of the Fifth Street opening and improvements are planned for in FY 2011-12 with no other significant capital projects planned for the forecast period.

Potential Impacts and Issues

As SDC revenues are forecasted to remain flat it may become necessary to fund the difference between the commitment to ODOT and the $4 million reserve. A potential amount of $1.5 million may need to be borrowed depending on ongoing revenues.

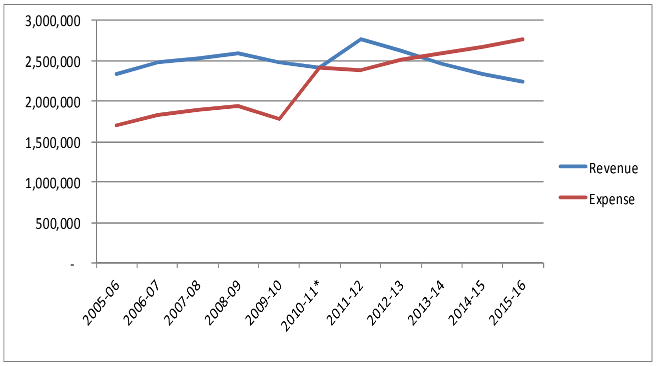
Water Fund

Variances from Status Quo Assumptions

- Addition of 1 FTE – Water Quality Supervisor
- User Fees increase by 5% beginning FY 2013-14

Operating Position

Revenues and treatment costs are driven by consumption – which due to increased conservations efforts by the City should continue to decline over the forecast period. The 2001 Water Master Plan authorized the City's last rate increase – those increases ended in FY 2006. The 2001 Water Master Plan called for several treatment and raw water transmission line projects to be completed including the disinfection project (completed in FY 2007 and May 2011, respectively).



As the graph depicts expenses will exceed revenues beginning in FY 2013-14. This may be a result of conservative estimates in increases in associated payroll and materials and services costs. Management is monitoring these cost progressions and is working on recommendations any revenue short falls in ensuing fiscal years.

Potential Impacts and Issues

As personnel, material and services costs conservation efforts continue to increase levels of service will become difficult to maintain. Management is recommending the 2001 Water Master Plan be updated to address the next phase in the City's water system and continued efforts to maintain a high level of service.

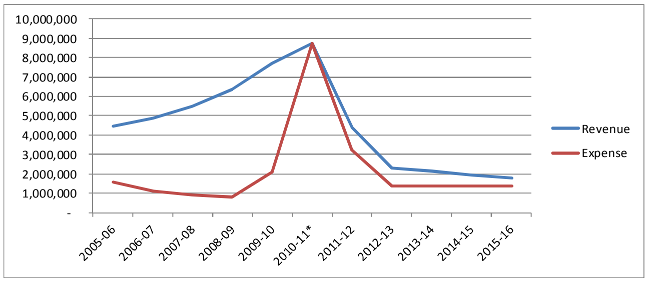
Water Well/Distribution Construction Fund

Variances from Status Quo Assumptions

- Refinancing of current Water Loans with OECDD and DEQ

Operating Position

The purpose of this fund is to accumulate funds to provide for major capital improvements and/or expansion of the City's water system. For FY 2011-12 – 40% of User Fees are being directed to this fund to be reserved for future capital projects. The current water system improvement loans and bonds are serviced from this fund.



Capital Projects – From Operating Revenues

Three water line bore projects are planned for FY 2011-12. Additional projects will be identified and completed as funding becomes available in ensuing fiscal years.

Potential Impacts and Issues

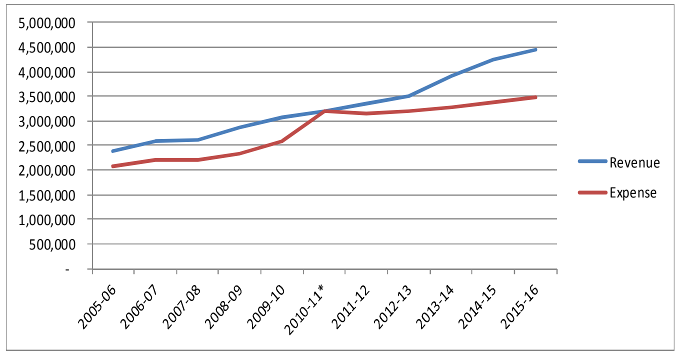
As personnel, material and services costs conservation efforts continue to the funding percentage available to reserve for future capital projects will be difficult to maintain. Management is recommending the 2001 Water Master Plan be updated to address the next phase in the City's water system and continued efforts to maintain capital reserve for unforeseen capital needs.

Sewer Fund

Variances from Status Quo Assumptions

- Rate increases of 9.5% per year through FY 2013-14

Operating Position



In 2007 the City entered a Mutual Order Agreement with the Department of Environmental Quality that called for significant improvements to the City's wastewater treatment plant and system as part of the approval of the City's wastewater treatment permit. The City implemented those improvements beginning in FY 2008-09 as part of a 20 year plan – the total cost of those required improvements will total $94 million. To date the City has issued approximately $19.5 million in loans for Phase I of the project. Phase II of the project will begin in FY 2011-12 – an additional $23.5 million in loans/bonds will be issued to fund the second phase of the project.

To fund the on-going capital projects the City Council approved rate increase implemented in FY 2008-09 with the initial increases of 12.5%. Additional increases will take place through FY 2013-14 at 9.5% per year.

Potential Impacts and Issues

Adopted rates are providing adequate revenues to fund operations for the forecast period – management continues to monitor revenues and expenses closely to ensure rates remain adequate.

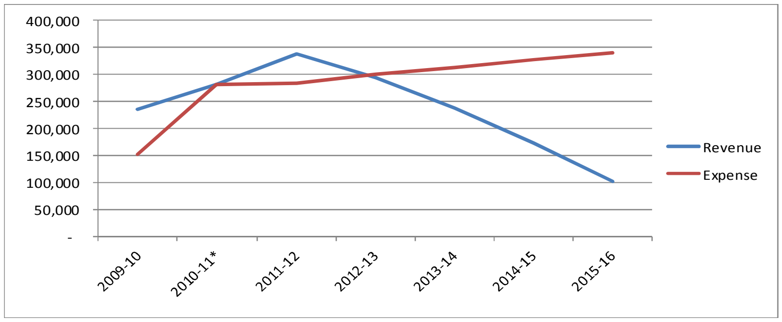
Surfacewater Fund

Variances from Status Quo Assumptions

- No dedicated Surfacewater fee included in forecast

Operating Position

In FY 2008-09 the city implemented its Surfacewater program. The program is funded via a transfer from the Sewer fund. The program allows for the maintenance of existing surfacewater infrastructure and proactive monitoring of infiltration issues before it becomes an issue for the sewer system.



Potential Impacts and Issues

As personnel, material and services costs conservation efforts continue to increase levels of service will become difficult to maintain – as no dedicated source of revenue exists to fund the program's operations.

Funding Alternatives

As costs grow there either needs to be a corresponding reduction in other costs or new resources need to be generated. Possible new resources are presented below. Staff does not take a position for or against these options. They are presented for informational purposes. Surfacewater fee should be investigated in the upcoming fiscal year as a potential fund source.

Surfacewater Fee – The City levies a stormwater fee to each utility account with the City of Woodburn to fund the surfacewater program. Each dollar assessed on utility accounts would raise approximately $73,000.

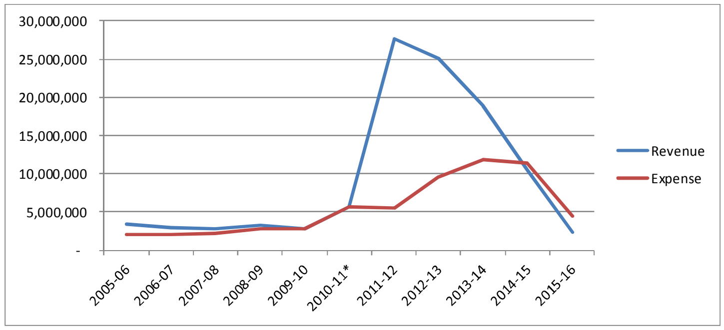
Sewer Treatment Plant Construction Fund

Variances from Status Quo Assumptions

- Rate increases of 9.5% per year through FY 2013-14
- Refinancing of current Sewer Loans with OECDD and DEQ
- Issuance of $23.5 million to begin Phase II Treatment Plant improvements

Operating Position

As approved by the City Council rate increases have been instituted to allow for the funding of the required capital improvements to the City's infrastructure (Phase I) and treatment plant (Phase II and III). These user rates are split between the sewer operating and capital construction funds. As the graph depicts Phase II debt will be issued in FY 2011-12 and construction will begin in the ensuing fiscal year and should be completed over a two to three year period.



Capital Projects – From Operating Revenues

User fees are allocated between operations and ongoing capital needs. That portion is being used to fund planned debt issuance of $23.5 million in FY 2011-12 to begin Phase II of treatment plant improvements and expansion.

Potential Impacts and Issues

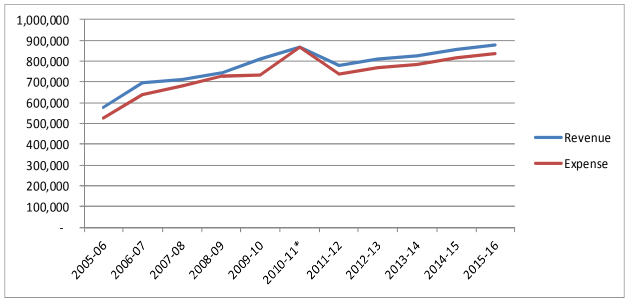
User fees (rates) will be closely monitored to ensure they are adequate to service outstanding and ongoing debt.

Maintenance Fund

Variances from Status Quo Assumptions

- None

Operating Position



The primary purpose of this program is to provide maintenance and custodial services to the City's buildings – City Hall, Library, Public Works buildings and Police campus. The total costs of the program are allocated to the using departments based on square footage. As the graph depicts revenues will continues to exceed expenditure but it should be noted that this is for basic maintenance services – no capital projects or improvements are planned as part of those ongoing costs.

Potential Impacts and Issues

As personnel, material and services costs continue to increase it will become increasingly difficult to provide funding for needed building improvements – those capital needs will be continued to be deferred.

Remaining Funds

Fund Consolidation

For FY 2011-12 six funds are being collapsed into other funds for management efficiency. Those funds are: Fund 92 – General Fund Reserve; Fund 135 – State Revenue Sharing; Fund 252 – Bancroft Bond; Fund 378 – Public Works Facility Construction; Fund 461 – Sewer Capital Improvement and Fund 580 – Central Stores. These funds have limited activity or ongoing programs can be more efficiently captured within other funds.

Remaining Funds

The remaining twenty-two funds have dedicated revenue sources, are for a specific purpose, have nominal activity and/or will be retired in FY 2011-12. These funds have not been included as part of the five year forecast. Some of those funds include:

- Fund 358 – Police Construction – a small project will be completed in FY 2011-12
- Fund 690 & 691 – Library and Museum Endowment – hold principal balance, only the interest earnings can be used on directed projects
- Fund 138 – RSVP – grant funded activities
- Fund 591 – Equipment Replacement – transfers are made from the Utility Funds and reserved for future equipment purchases
- SDC Funds – Water, Sewer, Surfacewater and Park SDC revenues are expected to remain flat and therefore no significant capital projects are planned for the forecast period.

Major Assumptions – Revenues

Major Operating Revenues

The City received about $28.2 million in operating revenues last fiscal year. Approximately 70% of that total is accounted for in the eight revenue types noted below. The eight types are shown in the following table. Key assumptions for each revenue type are provided below

Revenue	Actual FY 2010	as %
Property taxes	$ 8,014,720	28%
Franchise fees	1,096,533	4%
Water fees	3,209,097	11%
Sewer fees	4,946,628	18%
Gas Taxes	919,897	4%
Licenses & Permits	468,849	2%
Use Fees	428,937	2%
Total Major Revenues	$ 19,084,661	

The remaining $9.1 million in operating revenues includes interest income, court fines library and park fees, grants, state share revenues, loan proceeds and internal service charges.

Revenue Assumptions

Property Taxes – General Fund

Taxes are based on assessed value which is determined by the county Assessor. Generally, assessed values grow by 3% per year as allowed by the State Constitution. There is no correlation between real market value and assessed value. In addition to the 3% growth, an estimate is provided for expected new development. The city's tax rate remains stable at $6.0534 per $1,000 of assessed value.

Franchise Fees – General Fund

These fees are assessments on the utility companies' gross receipts for using the City's right-of-way. Rates vary by type of utility – ranging from 3% to 8%. Franchise fees are assessed on telecommunication, cable television, natural gas, electric utilities, ambulance and garbage. These revenues are expected to remain flat for the forecast period.

Utility User Charges

Water: The forecast assumes a nominal 1% annual increase due to new development, with a forecasted rate increase beginning FY 2013-14

Sewer: As with water, the forecast assumes a 1% annual increase for growth. A rate increase of 9.5% per year through FY 2013-14 has been adopted by the City Council.

Gas Taxes

HB 2001 passed in 2009 increases state gas taxes from 24 cents to 30 cents in January 2011. Most registration and license fees were increased in 2010. The impact of the increases will phase in over four years. The forecast estimates a 3% increase per year for the forecast period.

Building. Planning and Engineering Permits

Permit revenues are based on identification of specific developments with assumptions based on which fiscal year the development is likely to begin.

Other Resources

Bond Sales

One revenue bond sale is anticipated and is for the Wastewater Treatment Plan Project Phase II. The sale amount is estimated to be $23.5 million amortized over 20 years at 3%.

Transfers In – Operating Funds

This category relates to services one fund, e.g. the Information Services Fund, charges another for services provided. These types of transfers are forecasted to remain stable over the forecast period. Overhead charges for engineering services are charged to capital projects on an hourly basis.

Major Assumptions – Expenditures

Personal Services

Combined wages and benefits are assumed to increase by 5% to 6% per year. Wages are expected to increase via cost of living adjustments of 2.5% to 3.0% plus an average 3% merit increase. Benefit changes are related to retirement and health insurance. Recently approved retirement increases are reflected in FY 2011-12 with a 2% per year increase for the remaining four year period. Insurance is expected to increase by 10% in FY 2011-12; 5% in FY 2012-13 and remain flat for the remainder of the forecast period. This assumes significant changes to health care plans in the final three years of the forecast period.

Material and Services

Impacts of inflation are assumed to remain minor over the five years remaining stable over the forecast period at 3%. Certain costs which are not affected by inflation are excluded from these estimates, e.g. insurance and workers compensation premiums.

Capital Equipment

The Public Works funds' maintain a replacement reserve for capital equipment replacement and is funded via transfers from the Water, Streets and Sewer funds. The General Services funds replace equipment on an as needed basis.

Debt Service

Estimates are based on amortization schedules for outstanding debt issues. One new debt in the Sewer fund is anticipated and is based on $23.5 million, 3%, 20-year repayment terms.

Other Uses

Transfers Out

This is the counter-part to transfers in category. Transfers out from operating funds are primarily for administrative services provided by the Information Services and Building Maintenance Funds. Transfers out from capital project funds are primarily for engineering services and project administration provided by department within the Technical & Environmental Services fund.

Glossary

Add Packages
An increase in the level of service provided and/or changes to revenues not previously approved by Council action.

Available Balance
Undesignated Contingency plus Recurring Revenues less Recurring Expenditures

Capital Projects
New Construction and major repairs to the City's fixed assets.

Carryover Balance
The amount of cash that is brought forward from one fiscal year to the next.

Operating Position
Recurring Revenues and Recurring Expenditures

Potential Impacts
Refers to issues and challenges that are in addition to the status quo. The intent is to inform the reader of economic matters that might occur during the forecast period.

Recurring Expenditures
The expense portion of Status Quo, predictable and on-going costs.

Recurring Revenues
The resource portion of Status Quo, predictable and on-going revenues.

Reserve Balance
Fiscal year-end balance of cash that is restricted either by legal or policy decision. Examples include debt service reserves and amounts accumulated for specific use in a future year. Designated contingency is the primary component of this balance.

Revenues
Includes both Recurring Revenues and Transfers In.

Status Quo
The current level of services

Transfers In
Internal Charges by General Fund for services provided to other funds

Contingency
The portion of a fund’s balance that is not restricted for a specific purpose and is available for emergency appropriation via council action

Appendices